

Voting at General Meetings of Shareholders (GMs)

2015 review



February 2016

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Each ERAFP delegated management company exercises the voting rights attached to the shares held on behalf of ERAFP:

- for the entire portfolio under management;
- by applying ERAFP's specific voting policy.

ERAFP conducted a close, coordinated review of voting by its management companies, on the basis of a sample of:

- 40 French companies;
- 20 foreign companies.

Overall, the sample represented just less than 50% of ERAFP's equities portfolio in terms of market capitalisation.

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A CLOSE REVIEW OF FRENCH GENERAL MEETINGS



VOTING RESULTS AT GENERAL MEETINGS – France

		2015	2014	2013	2012
Resolutions (excluding those submitted by shareholders) under close review by ERAFP		772	821	658	309
Overall results	Average adoption rate per GM of resolutions proposed by management	94%	94%	96%	94%
	Resolutions (excluding those submitted by shareholders) rejected by the GM	4%	0%	0%	1%
	Resolutions (excluding those submitted by shareholders) adopted by less than 90% of the votes	17%	20%	13%	18%
	Resolutions (excluding those submitted by shareholders) adopted by less than 70% of the votes	6%	5%	1%	4%
ERAFP votes	ERAFP votes (excluding resolutions submitted by shareholders) in favour of the resolution	68%	61%	62%	66%
	ERAFP votes in favour of a dividend distribution	61%	44%	43%	-
	Average adoption rate per GM of resolutions concerning a dividend distribution	96%	99%	-	-
	ERAFP votes in favour of resolutions concerning executives' remuneration	17%	20%	-	-
	Average adoption rate per GM of resolutions concerning executives' remuneration	88%	90%	-	-
	ERAFP votes in favour of appointments of directors	67%	72%	-	-
	Average adoption rate per GM of resolutions to appoint directors	95%	94%	-	-

ERAFP VOTES ON APPOINTMENTS OF DIRECTORS

1. **ERAFP voted against 33%** of resolutions to appoint or reappoint directors, essentially for the following reasons:
 1. The candidate was not free from conflicts of interest, and less than half of the board members were free from conflicts of interest;
 2. The candidate was not free from conflicts of interest, less than one third of the board members were free from conflicts of interest and the company was a controlled company;
 3. The candidate was a man and less than 30% of the board members were women;
 4. The candidate held more than three directorships in major listed companies.
- ◆ In some rare cases, ERAFP voted in favour of appointments when the candidate did not satisfy all the ERAFP criteria, because their appointment would improve the composition of the board with regard to a particular problem.
- ◆ For example, in some cases ERAFP voted in favour of female candidates who held more than four directorships because there were too few female board members.

ERAFP VOTES ON EXECUTIVES' REMUNERATION

ERAFP voted against 83% of resolutions to approve executives' remuneration, essentially for the following reasons :

1. Excessive remuneration (>100 x minimum wage)
2. Lack of transparency, in particular concerning performance objectives (type of criteria, no targets, minimum and maximum thresholds)
3. Excessive variable remuneration and/or over emphasis on short-term performance
4. Lack of ESG criteria
5. Excessive defined benefit supplementary pension schemes.

◆ Of the 40 French companies monitored, only seven in the sample complied with the condition relating to the amount of remuneration (total remuneration < or = 100 x the minimum wage).

◆ In several cases, compliance with the “100 x the minimum wage” criterion was not sufficient for ERAFP to vote in favour of the resolution (excessive defined benefit pension scheme, bonuses unrelated to performance of the company, lack of transparency concerning objectives, a remuneration system that did not encourage long-term performance, etc.).

◆ Conversely, ERAFP voted in favour of resolutions when the remuneration slightly exceeded the maximum amount but all other criteria were satisfied.

ERAFP VOTES ON DIVIDEND DISTRIBUTIONS

- ◆ ERAFP voted against 38% of resolutions to approve dividend distributions, essentially for the following reasons:
 1. Large distribution / Poor financial results
 2. Changes to the balance between employees' and shareholders' comparative income
 3. Job situation
 4. Indebtedness
 5. Investment capacity

- ◆ ERAFP only voted in favour of dividend distributions proposed by management in 62% of cases, whereas the average adoption rate for these resolutions was 96%.
 - ERAFP generally voted against dividend distributions because the amount to be distributed was excessive and therefore unsustainable.
 - Shareholders generally vote against proposed dividend distributions when they consider that the amount is insufficient (*cf.* PSAM at Vivendi).

- ◆ However, in several cases ERAFP voted in favour of resolutions submitted by industrial companies' employee investment funds (FCPE) to distribute a smaller dividend than proposed by management (none of these resolutions were adopted).

Governance indicators in the sample	2015	2014
Feminisation of boards	36%	31%
Independence of boards	47%	46%
Average remuneration of highest-paid manager (€)	3,689,856	3,588,105

GMs OF FRENCH COMPANIES IN THE SAMPLE: KEY POINTS

<h3>Overall results</h3>	<ul style="list-style-type: none"> • Globally in line with previous years, the rate of shareholders' votes against resolutions proposed by management remains low, at just above 5%.. • Proposals relating to remuneration for executives in CAC 40 companies were generally supported, with 87.8% of votes in favour on average, which is slightly less than last year (-1.8 points). • Very few objections to proposals to distribute dividends (on average, 98.8% of votes in favour).
<h3>ERAFP Votes</h3>	<ul style="list-style-type: none"> • ERAFP rejects more proposed resolutions than the average shareholder (32.3% of votes against, on average). • ERAFP's votes against proposals relating to executives' remuneration rose slightly in 2015. • As regards dividends, ERAFP voted in favour of more resolutions than in the previous year, which can be explained by a more detailed analysis of the indicators enabling it to better judge whether distribution policies were sustainable.
<h3>Governance</h3>	<ul style="list-style-type: none"> • The level of independence of boards remained fairly stable between 2014 and 2015 (47%). • The number of female board members has increased (up from 31% to 36%). • The average remuneration paid to executives has increased by 2.7%.

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A CLOSE REVIEW OF 20 INTERNATIONAL GENERAL MEETINGS



VOTING RESULTS AT GENERAL MEETINGS – International

		2015	2014
Overall results	Resolutions (excluding those submitted by shareholders) under close review by ERAFP	196	287
	Average adoption rate per GM of resolutions proposed by management	96%	95%
	Resolutions (excluding those submitted by shareholders) rejected by the GM	0%	0%
	Resolutions (excluding those submitted by shareholders) adopted by less than 90% of the votes	12%	13%
	Resolutions (excluding those submitted by shareholders) adopted by less than 70% of the votes	0%	5%
ERAFP votes	ERAFP votes (excluding resolutions submitted by shareholders) in favour of the resolution	59%	62%
	ERAFP votes in favour of a dividend distribution	54%	33%
	Average adoption rate per GM of resolutions concerning a dividend distribution	93%	100%
	ERAFP votes in favour of executives' remuneration	0%	10%
	Average adoption rate per GM of resolutions concerning executives' remuneration	94%	93%

The lack of consolidated data concerning ERAFP votes on the appointment of directors in the international sample is due to the practice of voting for lists in certain countries in the sample.

ERAFP VOTES ON EXECUTIVES' REMUNERATION AND DIVIDEND DISTRIBUTIONS

- ERAFP voted against 100% of resolutions to approve executives' remuneration, essentially for the following reasons :
 1. Excessive remuneration (>100 x minimum wage)
 2. Lack of ESG criteria
 3. Stock options
 4. Lack of transparency

ERAFP voted against 46% of resolutions to approve dividend distributions:

- Although this rate is higher than that observed for French GMs over the same period (38%), it fell sharply compared to 2014 (67%).
- This sharp reduction is essentially due to a more detailed analysis of the various indicators, enabling us to better judge the sustainability of dividend distribution policies, as a result of which we were able to vote in favour of most dividend distributions proposed in the German companies in our sample, contrary to 2014.

GOVERNANCE INDICATORS – International

Governance indicators in the sample	2015	2014
Feminisation of boards	26%	25%
Independence of boards	59%	64%
Average remuneration of highest-paid manager (€)	8,522,796	7,345,514

GMs OF INTERNATIONAL COMPANIES IN THE SAMPLE: KEY POINTS

Overall results

- An adoption rate that is slightly higher than the French rate (96% vs. 94%).
- Little opposition to remuneration policies (5.9%).
- Little support for resolutions submitted by shareholders.
- A sharp increase in votes against dividend distributions in the past year (7.5% in 2015 vs. 0.5% in 2014).

ERAFP votes

- ERAFP more frequently recommended voting against resolutions concerning executives' remuneration, because remuneration was substantially higher than rates observed in France.
- Conversely, ERAFP voted more often in favour of dividend distributions, supporting 54% of resolutions proposed.

Governance

- Boards continue to be more independent than in France (59%).
- Conversely, companies tend to have fewer female board members (26%).